

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 974, S.D. 1

February 21, 2013

RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST AGRICULTURAL ENTERPRISES.

Senate Bill No. 974, S.D. 1, proposes to amend Chapter 39A, Hawaii Revised Statutes (HRS), by adding a new part to authorize the issuance of special purpose revenue bonds to assist agricultural enterprises in the State.

The Department offers the following comments:

The Department recommends including a definition for the term “agricultural enterprise” so as to be independent of similar terms used in other Hawaii laws, such as Section 163D-2, HRS, which defines “Agriculture” and “Enterprise” and Chapter 163D, HRS, which utilizes the term “agricultural enterprise.”

The Department also recommends the insertion of additional language at the end of line 20 on page 23 of the bill in order to be inclusive of tax credit and tax deferral programs. The insertion is as follows (new language underlined):

...may be included in gross income for federal income tax purposes, or which otherwise are tax-advantaged for purposes of federal income taxes.

Please note that there are significant procedural and compliance requirements that must be met before any special purpose revenue bonds (SPRB) could be structured for any SPRB transaction.

Thank you for the opportunity to provide testimony on this measure.



**STATE OF HAWAII
STATE PROCUREMENT OFFICE**

P.O. Box 119
Honolulu, Hawaii 96810-0119
Telephone: (808) 587-4700
e-mail: state.procurement.office@hawaii.gov
<http://hawaii.gov/spo>

COMMENTS
OF
AARON S. FUJIOKA
ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE
SENATE COMMITTEE
ON
WAYS AND MEANS

February 21, 2013

9:00 a.m.

SB 974 SD1

RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST AGRICULTURAL
ENTERPRISES.

Chair Ige, Vice-Chair Kidani, and committee members, thank you for the opportunity to submit comments on SB 974 SD1. The bill includes an exemption from HRS chapter 103D, Hawaii Public Procurement Code (Code), for project agreements executed by the Department of Budget and Finance.

The State Procurement Office opposes this exemption. The Code is the single source of public procurement policy to be applied equally and uniformly, while providing fairness, open competition, a level playing field, government disclosure and transparency in the procurement and contracting process vital to good government.

Public procurement's primary objective is to provide everyone equal opportunity to compete for government contracts, to prevent favoritism, collusion or fraud in awarding of contracts. To legislate that any one entity should be exempt from compliance with HRS chapter 103D conveys a sense of disproportionate equality in the law's application.

Thank you.

**SB 974 SD1
RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST
AGRICULTURAL ENTERPRISES**

**PAUL T. OSHIRO
MANAGER – GOVERNMENT RELATIONS
ALEXANDER & BALDWIN, INC.**

FEBRUARY 21, 2013

Chair Ige and Members of the Senate Committee on Ways & Means:

I am Paul Oshiro, testifying on behalf of Alexander & Baldwin, Inc. (A&B) and its agricultural company Hawaiian Commercial & Sugar Company on SB 974 SD1, “A BILL FOR AN ACT RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST AGRICULTURAL ENTERPRISES.” We support this bill.

Hawaiian Commercial & Sugar Company (HC&S) has been in operation for over 140 years and is Hawaii’s last remaining sugar plantation. HC&S has approximately 36,000 acres in active sugar cane cultivation and employs about 800 Maui residents. While all of Hawaii’s other sugar companies have shut down over the years, HC&S has been fortunate, through significant investments in our agricultural infrastructure and operations, to have sustained our operations and continue as a major employer in the State of Hawaii. Despite the current up tick in sugar prices, history has proven that commodity sugar prices will remain relatively flat, as they have over the last few decades, despite increasing production costs. Thus, HC&S has for a number of years been pursuing, and investing in, a transition from a primary producer of commodity sugar to the production of specialty sugar and renewable energy. In addition to being

the main supplier of Sugar In The Raw, the little brown packets of sugar seen at restaurants and coffee shops across the nation, HC&S is also expanding production and sales of our specialty Maui Brand Sugar.

HC&S generates biomass produced electricity for its sugar milling, irrigation pumping, and other internal operations and provides electricity to Maui Electric Company (MECO) for general community use. The source of fuel for this biomass electricity is bagasse, the residual fiber of the sugar cane plant. Not only does HC&S provide approximately 6% of MECO's total electricity, HC&S is a firm power source to MECO (i.e. committed power delivery, not on an 'as available' basis), and has played a significant role in the restoration of MECO's electrical service during power outages.

In addition, HC&S is currently participating in significant new Hawaii-based research initiatives on bio-energy, closely working with the University of Hawaii and various Federal agencies on energy crop development, energy conversion technologies, and long term resource requirements for biomass production. HC&S also provides water (through the County) to approximately 35,000 Upcountry Maui residents and to the Kula Agricultural Park.

This bill proposes statutory provisions to authorize the issuance of special purpose revenue bonds to assist agricultural enterprises. Major infrastructure requirements such as irrigation systems, roads and utilities, and agricultural processing facilities play a critical role in the survival of many agricultural businesses. The special purpose revenue bonds authorized in this bill will provide important financial support for Hawaii's agricultural operations. In addition to assisting these agricultural operations with their current infrastructure needs, this additional means of financing will also serve

as a stimulus to encourage these entities to expand their operations or to enhance their operating efficiencies through the installation of new agricultural infrastructure, equipment, and other related improvements to service their farming operations.

Based on the aforementioned, we respectfully request your favorable consideration on this bill. Thank you for the opportunity to testify.



Email: communications@uluponoinitiative.com

SENATE COMMITTEE ON WAYS AND MEANS
Thursday, February 21, 2013 — 9 a.m. — Room 211

Ulupono Initiative Strongly Supports SB 974, Relating to Special Purpose Revenue Bonds to Assist Agricultural Enterprises

Dear Senator Ige, Vice Chair Kidani and Members of the Committee:

My name is Kyle Datta and I am General Partner of the Ulupono Initiative, a Hawai'i-based impact investment firm that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally grown food, increase renewable energy, and reduce/recycle waste.

Ulupono is testifying in strong support of SB 974, which provides for the issuance of special purpose revenue bonds (SPRBs) to assist agricultural enterprises in Hawai'i. I would also mention a related bill — SB 588 — which proposes an amendment to the Hawai'i Constitution to authorize SPRBs to assist agricultural enterprises. My testimony here, however, is primarily in support of SB 974.

Ulupono Initiative seeks to promote and invest in innovative sustainability ideas and business models that have the potential to make a significant difference for Hawai'i. We work with, and invest in, businesses that show this potential for innovation, have local leadership, develop businesses from ideas and inspiration born in Hawai'i to reach the needs of Hawai'i, and use technologies and models that can be replicated and have potential global applicability.

Ulupono is very pleased to have joined with a diverse group of organizations who have come together for the first time as the Local Food Coalition to support proposals designed to help grow more local food. The coalition brings together farmers, ranchers, livestock producers, investors and other organizations. These key and strategic organizations come together with one common goal: to promote the local production of food in a sustainable and economically sound manner to benefit Hawai'i's people through the revitalization and expansion of Hawai'i's agricultural sector. The Coalition pursues this comprehensive approach because only in this manner can Hawai'i effectively develop its own resources for diversified food production, and lessen our dependence on importing what can be grown and raised and processed locally.

The coalition includes the Hawaii Farm Bureau Federation, the Hawaii Cattlemen's Council, Inc., the Hawaii Livestock Farmers Coalition, 4 Ag Hawaii, the Hawaii Aquaculture and Aquaponics Association, the Kohala Center.

One major persistent and formidable obstacle to expanding, diversifying and ensuring the sustainability of Hawai'i's food production resources is the need for substantial capital investment in agriculture infrastructure, technologies, facilities, agricultural workforce training, and production and growth activities. We recognize

Pacific Guardian Center, Mauka Tower
737 Bishop Street, Suite 2350, Honolulu, HI 96813

808 544 8960 o | 808 544 8961 f
www.uluponoinitiative.com



that the State has been supporting many facets of agriculture in Hawai'i over the years. But there are increasingly severe limits to what the State can continue to support and finance. And we need to prudently manage those public resources very carefully.

In addition to State financial resources, there is also very real availability of private capital for those required investments. Indeed, the State enables the raising of private capital through the use of SPRBs, none of which affects the State's debt ceiling because SPRB financing does not involve the State's full faith and credit. Thus, this avenue of obtaining private financing has been used to support nonprofit healthcare facilities; schools and educational institutions; manufacturing, processing and industrial enterprises; public utilities providing electricity or gas; low and moderate income housing, and agricultural enterprises serving important agricultural lands.

However, the range of agricultural activities that are essential parts of Hawai'i's agricultural sector is much broader than what is now available under the existing SPRB provisions. These range from growing and processing of food crops and vegetables; growing and processing of poultry and poultry products; raising and processing of livestock and livestock products, including cattle, pigs, goats and sheep; growing, processing and packaging of fruits and juices; developing and operating irrigation and water systems, including irrigation ditches, small dams and reservoirs and related control systems; construction and maintenance of shelters and other facilities to grow, raise and process food crops and livestock; and similar essential agricultural activities.

SB 974 recognizes these real, immediate and critical needs, and will enable agricultural enterprises to obtain authorization for SPRBs and to use such financing in their businesses, with immediate and long-term benefit to Hawai'i's people and economy. Not only will this provide an important source of private financing, but it will not impact the State's public financial situation and will enhance the State's resources.

I will conclude by noting that SB 974 will become effective only after the Hawai'i Constitution is amended by Hawai'i's voters to permit the authorization of SPRBs to assist agricultural enterprises. The separate legislation to provide for such an amendment to the Hawai'i Constitution is set forth in SB 588.

Mr. Chair and Members of the Committee, we greatly appreciate the opportunity to present this testimony in support of SB 974 and ask your favorable consideration of this bill. I would be pleased to respond to any questions that you may have.

Thank you very much,

Kyle Datta
General Partner

From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: tabraham08@gmail.com
Subject: *Submitted testimony for SB974 on Feb 21, 2013 09:00AM*
Date: Tuesday, February 19, 2013 9:41:46 AM

SB974

Submitted on: 2/19/2013

Testimony for WAM on Feb 21, 2013 09:00AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Troy Abraham	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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